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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 2544

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 4994

RUEHBJ/AMEMBASSY BEIJING PRIORITY 2752

RUEHKO/AMEMBASSY TOKYO PRIORITY 2617

RUEHIT/AMCONSUL ISTANBUL PRIORITY 3238

RHMFIS/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUEHBS/USEU BRUSSELS PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEAIIA/CIA WASHDC PRIORITY

RUEKJCS/JOINT STAFF WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000389

SIPDIS

SCA/CEN; EEB

PLEASE PASS TO USTDA DAN STEIN

ENERGY FOR EKIMOFF/THOMPSON

COMMERCE FOR HUEPER

E.O. 12958: DECL: 03/25/2019

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SUBJECT: TURKMENISTAN: BURREN ENERGY STILL HOPING THAT
TURKMEN WILL FORGIVE ENI

REF: ASHGABAT 339

Classified By: Charge Richard Miles for reasons 1.4 (b) and (d).

11. (C) SUMMARY: The U.K.-based Burren Energy is continuing to pull 25,000 barrels of oil per day from wells southwest of Balkanabat, and has at least ten more years to do so. But while the company is on a steady course with its PSA, its takeover in 2007 by Italian conglomerate ENI is still causing problems. ENI representatives thus far have been unable to placate Turkmen officials, despite the fact that they want to submit proposals for both offshore and onshore work here. ENI's frequent partnership with Gazprom may be one significant reason the tiff is continuing. END SUMMARY.

12. (C) An energy expert from the U.S.-based Center for Strategic and International Studies met on March 19 with the American Citizen country manager for the British energy company Burren Energy to learn how the company has been faring in Turkmenistan. As an introduction, the manager said Burren holds a PSA for an oil field southwest of Balkanabat, where it has been operating for about ten years. Burren employs some 1,080 people, largely from the Balkanabat area. The PSA has another ten years of operations on it, with an option to extend. The company is currently producing about 25,000 barrels of oil per day, and gets 60 percent of the production. Small amounts of associated gas are given to the Government, and a smaller amount is still flared off at some wells. The extracted oil is sent to the Turkmenbashi refinery, then Burren's share is picked up at the port at Ekerem, where it is sold to the highest bidder, determined on an annual basis. Currently, he said it is going to Vitol, which takes it to the Iranian port of Neka.

13. (C) Italian energy conglomerate ENI, Burren's owner since late 2007, wants to do more in Turkmenistan, but has still not placated Turkmen officials, who remain irritated by the 2007 stock takeover of Burren. The country manager said that ENI is continuing to negotiate with the Turkmen

Government, but has not made progress (reftel). (NOTE: Post learned from an industry press source that Turkmenistan has refused the visa applications of senior ENI representatives seeking talks. END NOTE.) He said that ENI has historically partnered often with Gazprom on pipeline projects, and ENI officials are wondering whether its connection with the Russian energy giant may be another reason that Turkmen officials are unhappy that ENI took over Burren Energy.

14. (C) ENI discussions in Turkmenistan, if they happen, will probably include an offshore proposal, he said. Burren may also propose a joint venture project, partnering with Turkmen State Oil Concern and a Russian company, onshore. As part of its community development program, Burren sends six Turkmen students to the University of Reading in the U.K. each year for what is a one-year business and economic study program. The country manager said this program has been very successful, and is considered to be well worth the cost because of the poor quality and education level of the labor force here.

15. (C) COMMENT: ENI officials' conjecture that their affiliation with Gazprom is playing a big role in Turkmenistan's displeasure with the takeover may well be on target. Turkmen Government decisions about foreign oil and gas partners over the past two years suggest that Turkmen officials want to call the shots and maintain control over resources in their own way. They seem to want to balance their foreign partnerships to avoid having any one entity become too influential in Turkmenistan's oil and gas sector.

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ENI may find it more useful to initially offer the Turkmen a deal they can't refuse, while including language in its proposal that promises it will stay away from Russian partners or subcontractors. END COMMENT.
MILES